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**P L A N**

**For the Organization of the State Enterprise**

**S Y N T H E S I S**

**(for discussion)**

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The plan is introduced by a statement of Dr Siska, who calls on his colleagues to study the plan and submit their views, so that the state enterprise may be flexibly and modernly organized.

#### General.

This section briefly reviews the capitalist system, indicating its weaknesses, and compares it with the socialist system, under which the state enterprise <sup>is</sup> to be organized.

#### The Tasks and the Basis of Organisation of a State Enterprise.

A state enterprise, in order to accomplish its tasks and to discover the causes of inefficiency in production, must have a clear organization and a flexible accounting system. It has already been said that the nationalized socialist economy will borrow the system of specialization from capitalism, because it is clear that the success of capitalism has indeed been the result of progressive specialization. State production enterprises are to be limited in the future to production, and will be production units, whereas distribution, i.e. purchase and sale, will be concentrated outside the limits of production. It is necessary, therefore, to direct the efforts of the organizers of Czechoslovak industry towards the organization of production first and only later <sup>towards</sup> the organization of purchases and sales. It is, therefore, necessary to centralise purchases and sales in the headquarters of state enterprises rather than in individual factories.

The majority of chemical state enterprises which have originated by the grouping of capitalist factories in the course of both nationalizations have in large measure already specialized in one or more tasks. Complete production units are concentrated in these enterprises according to technological relationship and with some amount of vertical organization (for example, a production enterprise and an electrical power plant). Their structure, then, corresponds to the demands of specialization. Many small enterprises have been combined into several important larger units.

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It is the great task of the Czechoslovaks to coordinate and plan the functions of the units within state enterprises and to give them a modern and flexible organization.

In this respect, the system of economic autonomy is most satisfactory. This system is not, as many assume, only an accounting system, but also an organizational system, and has all the prerequisites to become a generally accepted organizational principle. This system also provides organizational independence. The system is noted for the fact that it causes an extensive decentralization of enterprises into a number of independently functioning sections.

The introduction of autonomy of enterprises will cause the employees to become more experienced in the work of individual economic units and it will stimulate in the workers the spirit of entrepreneurs and a desire for economy and fulfillment of the plan. The basic mentality of the worker, who becomes a collaborator in the full sense of the word and who understands the economic mission of the enterprise, will change.

The system of autonomy of enterprises eliminates all accidental activity and places the production on solid scientific basis. Because the system operates on estimates, it fits well into the framework of national industrial planning. It is consistent with the spirit of the modern organization of socialist industrial planning, because it establishes a plan and it uncovers minor causes of inefficiency in management and in this sense supports the increase of labor productivity; it also controls estimates and plans by a simple and easily audited accounting system, and establishes a basis for the proper evaluation of work according to production results, that is, according to actual merits.

The system of autonomy of enterprises is the invention of T. Bata in 1924. It was first introduced in conveyor production of footwear and then gradually in all production sections in the Bata firm in Zlín, that is in machine shops, rubber plants, and also in chemistry. This system has been proven and has always meant higher productivity of labor. The mighty Soviet industry basically operates according to the principle

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of autonomy of enterprises. The workshop or plant is fully independent, a basic economic unit. This unit conducts its accounting independently. The plant purchases the necessary material from the warehouse, or the semi-finished products from a nearby plant, and processes them in the production cycle into products, which it will sell to other plants for a certain price determined according to previously established estimates and production costs. A short accounting period (week, fortnight) is used; the financial results of the section and the amount of production are expressed in the results. Estimates are made six months in advance for each week or fortnight. Strict care is taken to prevent accidental investments from improving the results of the sections, which can be improved only by technological improvements, savings in materials, machinery, and so on. The accounting section allots materials, wages, and maintenance expenses for a unit or a quantity of a product in advance. A bad financial result signifies that the production cycle is somewhat dislocated and that losses are being incurred. Short accounting periods are, therefore, necessary in order to make remedial action in time possible.

This system is very flexible and its various forms are a continuous variation of the same principle: allot a share of the costs to each section and control its economy by the financial results - by the output. Differences in wages and in prices of raw materials are equalized outside of the area of production.

The principle of autonomy of enterprises is fully consistent with the socialist principles of management, because it operates according to plans and estimates, enables short-term control of the plan, uncovers every cause of inefficiency and offers the possibility of its prompt elimination. It provides an impulse for increasing labor productivity in the production process and provides all workers with the opportunity of observing the progress and results of plant management. It offers an ideal basis for rewarding human labor according to actual results and merits.

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**Proposal for the Organisation of the Chemical State Enterprise Synthesia**

The leading principle in this organisation is the principle of autonomy and specialisation of an enterprise.

1. The state enterprise Synthesia will be organised according to the principles of autonomy of an enterprise.

2. Production will be basically separated from distribution elements, that is, purchases and sales, as required by the principle of specialisation.

3. The basic production unit will be the "production section".

4. The basic organisational unit is the "group", such as a group of factories.

5. The group consists of several factories (two to ten), which need not specialise in the same product, but must not be too far apart.

6. The entire scheme will be, then:

- a. Production section
- b. Group of sections
- c. Production sector (in large factories)
- d. Factory
- e. Group of factories
- f. Enterprise, <sup>general</sup> Management of chemistry, Ministry of Industry

7. Synthesia will consist of the administration of the enterprise management and seven groups.

- a. Enterprise management
- b. Prague
- c. Kolin
- d. Sestini
- e. Liberec
- f. Usti nad Labem
- g. Pocerov
- h. Brno

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## a. Enterprise management.

~~Administrative~~ Enterprise of Prague

Research institute in Senti

## b. Prague group of factories:

Synthesia Vyseckany (Pistag)

Synthesia Uhrinoves (Masata)

Synthesia Vyseckany and Prague III (Kalcium)

Synthesia Kadye (Kalcium)

Synthesia Premysleni (Majek)

Synthesia Chraat near Pilsen (Anders)

Synthesia Prague II (Kipove)

Synthesia Klubocopy (Czech industry for production of  
carbonic acid)

## c. Kolin group of factories:

Synthesia Kolin (Draslovka)

Synthesia Kolin (Lucebni)

Synthesia Havlickuv Brod (Delit)

## d. Senti group of factories:

Synthesia Senti (Explosia)

Synthesia Senti (Synthesia)

Synthesia Senti (Uma)

Synthesia Slatinany

## e. Liberec group of factories:

Synthesia Liberec (Primila)

Synthesia Mnisek (Hauseer)

Synthesia Varnsdorf (Bohme, Rudolf)

Synthesia Belstice

Synthesia Hranicka (Schimek and Friedrich)

Synthesia Jablonec (Ficarra)

## f. Usti nad Labem group of factories:

Synthesia Usti nad Labem (Hessel)

Synthesia Podmokly (Dr Hesse)

Synthesia Mikulasovice (Grelit)

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Synthesia Levesice

Synthesia Teplice-Trnovany (Teplice factory for sails and tents).

Synthesia Trnovany (Siagel)

Synthesia Jirkov (Lorenz)

**g. Prerov group of factories:**

Synthesia Prerov (Lucebni)

Synthesia Lipnik

Synthesia Krnov (Carnovia)

Synthesia Opava (Deriva)

Synthesia Moravsky Boreum (Granitel)

Synthesia Prerov (Argo)

Synthesia Brodek near Prerova (Wojenshle)

**h. Brno group of factories:**

Synthesia Brno (Krasl)

Synthesia Postorna

Synthesia Brno (Dr Rostovsky)

Synthesia Brnenske Ivanovice (Czech industry for production of carbonic acid).

8. The production section is the basic economic unit, the economic center, and the economic cell of the enterprise.

9. The production section may be of varying size depending on the nature of production. It may produce one or more products.

10. The group of sections combines within the factory certain allied branches of production. Prerov, for example: heavy chemistry (sulfuric acid, superphosphate), light chemistry (industrial oils).

11. The production section conducts its operational accounting independently.

12. The group of sections conducts its operational accounting in a group (blok) of the basic sections of which it consists.

13. The factory conducts joint operational accounting and factory financial accounting (purchases, sales, and cash).

14. Factories are combined into groups of factories in respect to technology, accounting, and administration. The group conducts its own operational and financial accounting. The groups conduct accounting of their factories in respect to operations and finances (purchases, sales, cash).

15. The enterprise management (central) in Prague conducts <sup>Joint</sup> financial accounting and investment accounting for the entire enterprise. The central calculating and price section, assisted by all accountants in the factories, is also attached to the central.

16. Functional positions in the production section: technical manager, assistant technical manager, and, if necessary, foreman [?]. There is an inspecting chemist in all sections.

17. Functional positions in the group of sections: group manager, assistant group manager who is also a section manager, group accounting manager, group paymaster, and laboratory manager.

18. Production sectors, which consist of several production groups, will be established in some factories, if necessary. Functional positions: sector manager and one of the managers of the production groups as his assistant.

19. Functional positions in the factory: factory manager, assistant factory manager who is also manager of the production group, sometimes of the production sector. There may also be a procurement function, depending on the size of the main administrative components of the factory. The position of chief accountant, which elsewhere can be independent, can occasionally be combined with that of procurement. In the factories, there are also operational accountants, managers of the cost and price [?] sections and wage accountants, who may also be social-political representatives, depending on the size of the factory. In that case, there is also a manager of the service sections, such as maintenance, transportation, power and auxiliary production (e.g. cooerage) sections.

20. Positions in the group of factories: group manager, who is also the manager of a factory in the group; assistant group manager, who is



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also the manager of a factory (he can also be an administrative manager); and possibly all social positions listed for a factory, depending on the size of the group. There are always social-political, group planning and investment, organisational, and propaganda advisers, if it is possible to recruit them from among the employees.

Establishment of the group management does not mean that new offices with new managers and a staff will be set up for the group. It is desired that the least number of necessary employees to be drawn from the factories be sufficient. The group manager will at the same time be the manager of the chief factory in the group. The group system is a result of the necessity for decentralization. An effort will be made to transfer as many functions as possible to the manager of the group, who can solve local problems on the spot through daily contact. It is, therefore, absolutely necessary that he be in daily contact by telephone and teletype with the enterprise management.

The active association of the manager of the enterprise with his assistants, both supported by the factory councils and branches, the group managers, the managers of the chief branches of the enterprise management, the technical manager, the administrative-legal manager, the manager of the estimation section, the managers of the inspection and development sections, and the chairman of the enterprise council will be the backbone of the entire enterprise. These managers will meet at conferences regularly.

Contact of the manager of the enterprise with all the factories, as well as regularity and system in the operations of the enterprise, will be possible only in the group organization. Contact between the manager of the enterprise and the factories will be conducted through the branches of the enterprise management and, fundamentally, through the group; only extraordinary and important problems will be solved directly with the factories. The manager of the factory is responsible for all operations in the factory.

The duties of the group manager are considerable. He is fully respon-

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sible to the manager of the enterprise for the factories in his group. He is responsible for the fulfillment of their production, financial, and investment plans, for the financial results, for the consistent application of the organization of the autonomy of the enterprise, for the social-political affairs, for the speeding and planned execution of investments, etc. The group manager must be generally capable and must understand the trends of the day. He must have a comradely attitude towards the workers, he must be their advisor, and he must be perfectly informed politically.

The group manager is also responsible for the subdivision of the responsibilities in his group. Section managers will be responsible to the factory managers, who, in turn, will be responsible to him.

To enable perfect contact of the management of the enterprise with the groups and factories, the following principle will be applied:

The section of the enterprise management (central) will always have liaison officials in the groups and will be in daily contact with them.

Examples:

#### Enterprise management

#### Group

Manager of the enterprise	-	Group manager
Manager of the financial section	-	Chief group accountant
Chief organizer	-	Group organizer
Social-political specialist	-	Social-political advisor of the group
Technical manager	-	Assistant group technician
Purchasing specialist	-	
Sales specialist	-	
Estimator [1]	-	Estimator [1]

With such an arrangement, initiative can originate from both the bottom and the top. Central control, consistent with the execution of the necessary decentralization, is made possible.

The factories in the group are regionally organized and represent a heterogeneous unit. This is the only possible arrangement, if a system of autonomy of the enterprise (short distances between factories and daily

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contact among them) is desired. It is natural that the group manager, even if he is a technician, cannot be a specialist in all phases of production of the group. In order to guarantee specialized supervision in the factories, so-called specialist-advisers, who will supervise factories of similar production in the entire enterprise, are appointed.

It can be said that they unite the enterprise horizontally. The components of the vertical administration of the group are interlaced with the horizontal technical components.

**Example:** The specialist-adviser for sulfuric acid and superphosphate supervises these factories which produce such products and are situated in various groups. Specialized management of uniform technological units, situated in various dispersed groups but at the same time under close and flexible administration, will thus be guaranteed.

Only factory and group managers have the full responsibility for production, as far as technology and economy are concerned. The specialist-advisers are only counsellors and are called upon only by the group managers.

The functions of these advisers are not independent (with some exceptions, depending on the importance of the branch), but, basically the best specialists are those who have their functions elsewhere in the enterprise. The adviser can be, for example, a factory manager, a member of the research institute, etc.

21. The organization of the central of the state enterprise is established partly according to the principles provided by the general management of chemistry. The details are modified in accordance with the special conditions in Synthesis.

22. The central consists of the enterprise management proper and the branches.

23. The enterprise management proper consists of the following:

The enterprise manager and his assistants

The personal secretariat of the enterprise manager and of his assistants

The technical management

The administrative-legal management

24. There are the following branches:

- a. Production branch
- b. Commerce branch
- c. Financial-economic branch
- d. Social-political branch
- e. Planning branch

25. The following sections are directly attached to the enterprise management proper:

Development and research

Efficiency and estimate [Y]

Inspection

26. The technical management has the following three main sections:

- a. Machinery (machine advisers, construction, and economic-financial adviser).
- b. Construction (construction advisers, central projects, economic-financial adviser)
- c. General (planning, investment)

27. Administrative-legal management:

- a. General secretariat
- b. Legal section
- c. Administration of buildings and property
- d. Organization section
- e. Propaganda section
- f. Administration of all establishments not connected with operation

28. The section for development and research will evaluate the existing production programs from the technological and scientific standpoint with the cooperation of the technical advisers and researchers, and will propose new production programs in accordance with the results of research and the basic tasks of the enterprise. It will be respon-

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sible for the organization of research in the entire enterprise. It will cooperate in the field of research with such top-level establishments as the central office for chemistry, and the state research council, and will coordinate research programs with other research bodies and among sectors. It will be within its competence to organize the central research institute for the separate sectors of the state enterprise. This section will work out the research plan of the enterprise, as well as the perspective research plan, in every detail.

29. The establishment of the efficiency and estimate section of the enterprise is novel. It will supervise estimators in the factories in accordance with the necessity for economy autonomy. This section will control the efficiency, norms, and product prices of the plants. It will evaluate production improvements (its real economic effect).

30. The inspection section will conduct inspection in all components of the enterprise to assure compliance with all directives of the enterprise administration and supervisory bodies concerned with the administration of the property of the enterprise, particularly, control of all matters dealing with changes in the property structure and efficiency of the enterprise. The enterprise inspection is directly responsible to the enterprise manager and to the chemistry administration.

31. Production branch. <sup>This</sup> checks the efficiency and technology of production and arranges liaison between the enterprise manager and the group managers in the course of normal enterprise operations. It checks, at regular intervals, the results of the production time plan and the financial results of the groups and the factories in every detail. It summarily checks operational and financial accounting, fulfillment of the production plan, and completion of investments; it coordinates industrial financial plans of the factories, and it adjusts production in agreement with the enterprise management and in accordance with the goals and requirements of the chemistry administration. It can direct production in accordance with export requirements, as is consistent with the

state interests. It is responsible only to the enterprise manager. This section exercises top control of production during the course of normal operations.

32. Commerce branch. This is the center of purchases and sales. It coordinates production with the sales plan. It procures all the raw materials necessary for production. This is not the responsibility of either the group or the factory manager. Thus, specialization is achieved. The purchase section supervises all the storehouses in the factories. It operates with the assistance of dispersed buyers, whom it supervises. The purchase section constitutes an independent unit, which conducts its own accounting. It is broken down according to branches, not according to factories. The manager of the purchase section is responsible for the provision of the necessary raw materials to all factories in the enterprise under all circumstances. He conducts liaison with higher, licensed distributing firms, which are organized in higher organizational components. Basically, all enterprise purchases are conducted through the purchase section, including purchases of capital equipment from home and abroad. Here coordination is necessary between the investment section of the technical management and the central purchase section.

The central sales section in Prague is organized according to production branches, e.g. explosive, organic chemistry, plastics, auxiliary textiles, etc. It has its salesmen in the groups (factories), who have the functions and possibly the titles of suppliers. Their task is to assign production in the entire group (factory), according to the directives of the Prague central (sales plan). They are responsible for the sales warehouses of finished products and for shipments in the groups. In shipping, they assume full responsibility for the quality and <sup>quantity</sup> of products, and for meeting the requirements of the customer. Retail sales will be to a certain extent decentralized into groups according to agreements and terms worked out by central sales offices. The factory price consists of the warehouse price and a mark-up which is the necessary percentage for covering the selling expenses.

The sales branches will keep accounts for each factory separately so that profits for each factory can be separately shown.

33. Economic-financial branch. <sup>This</sup> ~~It~~ conducts central financial accounting proper and investment accounting of the entire state enterprise, as well as operational accounting of the central and of the commerce branch as an economic unit. It directs the financial, credit, and taxation policy of the enterprise, according to the decisions of the enterprise management and the chemistry administration.

34. Social-political branch. <sup>This</sup> ~~It~~ maintains files of the entire enterprise and has contact with the factories through the social-political advisers, whom it supervises.

35. Planning branch. <sup>This</sup> ~~It~~ is responsible for the management and formulation of all plans e.g., investment, production, and sales plans, and for checking the execution of these plans. It has production, investment, and statistical sections.

In order to coordinate the activity of the enterprise, advisory bodies, based on the democratic management of the enterprise, will be created to assist individual managers. These assemblies will meet regularly and will lay out the general line of activity. Here belong the already-mentioned regular conferences of managers, branch chiefs, and others. Researchers or technical advisers, headed by the chief of the development section of the enterprise management, will create the so-called research council which will coordinate research activity.

The organization section, social-political section, technical group [?] service, and other sections will form similar bodies.

Managers of individual factories, headed by the group manager, will meet within the groups.

The prepared organization of the state enterprise Synthesia is submitted herewith only in its outline. The details have been also worked out and we desire to submit them to anyone interested.

We believe - and we submit this opinion to general discussion - that the entire organizational structure of the Czechoslovak Chemical Factories <sup>5)</sup> could be worked out according to the system of economic autonomy

and our schemes. The Czechoslovak Chemical Factories combine several enterprises, which basically are of two types: they are either locally concentrated, combined entities, such as the Stalin Works and the Ostrava Chemical Factories, or they are larger or smaller groups of factories, which are locally divided and whose components have varying production tasks, but which, as entities (state enterprises) have definite basic or auxiliary tasks. Spelek, Spofa, Barvy-laky (Paints and varnishes), Refinerie, and Synthesia are of the latter type.

The system of economic autonomy can be well applied in both cases. The above-mentioned concentrated combines are advantageous because the sections, groups, and factories are locally organized. The remaining enterprises could be organized into groups as proposed for the Synthesia.

Prague, 1 September 1948

Dr Ziska.



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